

DEPARTMENT OF CALIFORNIA HIGHWAY PATROL

**COMMAND AUDIT OF
SAN LUIS OBISPO AREA**



FINAL REPORT

MAY 29, 2009

M e m o r a n d u m

Date: May 29, 2009

To: Office of the Commissioner
Attention: Commissioner J. A. Farrow

From: **DEPARTMENT OF CALIFORNIA HIGHWAY PATROL**
Office of the Assistant Commissioner, Inspector General

File No.: 005.9968.A13471.010

Subject: FINAL 2008 COMMAND AUDIT REPORT OF SAN LUIS OBISPO AREA

In accordance with the Institute of Internal Auditors, *International Standards for the Professional Practice of Internal Auditing* § 2020, issued by the Institute of Internal Auditors, Government Code §13887 (a)(2), and the California Highway Patrol Audit Charter, I am issuing the 2008 Command Audit Report of San Luis Obispo Area. The audit focused on the command's cash receipts, contracts, evidence, purchasing, reimbursable service contracts, advanced payments for predetermined services, asset forfeiture, fleet operations, and personnel records.

The audit revealed the command has adequate operations. However, some weaknesses were observed. This report presents suggestions for management to improve on some of its operations. In doing so, operations would be strengthened and the command would ensure it is operating in compliance with policies and procedures. We have included our specific findings, recommendations, and other pertinent information in the report. The San Luis Obispo Area agreed with the findings and plans to take corrective action to improve its operations. The command will be required to provide quarterly updates to the Office of Inspections on the progress of their corrective action plan implementation until the command has resolved all deficiencies. Additionally, the Office of Inspections plans on conducting a follow-up review within one year from the date of the final report.

Additionally, in accordance with the *International Standards for the Professional Practice of Internal Auditing* and Government Code §13887 (a)(2), this report, the response, and any follow-up documentation is intended solely for the information and use of the Office of the Commissioner; Office of the Assistant Commissioner, Field; Office of the Assistant Commissioner, Inspector General; Office of Legal Affairs; Office of Inspections; Coastal Division; and San Luis Obispo Area. Please note this report restriction is not meant to limit distribution of the report, which is a matter of public record pursuant to Government Code 6250 et seq.

Safety, Service, and Security

Office of the Commissioner
Page 2
May 29, 2009

The Office of Inspections would like to thank San Luis Obispo Area's management and staff for their cooperation during the audit. If you need further information, please contact Assistant Chief Ken Hill at (916) 843-3005.

A handwritten signature in black ink, appearing to read "M. C. A. Santiago". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

M. C. A. SANTIAGO
Assistant Commissioner

cc: Office of the Assistant Commissioner, Field
Office of Legal Affairs
Office of Inspections
Coastal Division
San Luis Obispo Area

*BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CALIFORNIA HIGHWAY PATROL*

COMMAND AUDIT OF SAN LUIS OBISPO AREA

OFFICE OF INSPECTIONS, AUDITS UNIT

May 29, 2009

TABLE OF CONTENTS

Executive Summary	1
Audit Report.....	3
Introduction.....	3
Objective and Scope	3
Methodology.....	3
Overview.....	4
Findings and Recommendations	6
Conclusion	11
 <u>Annex</u>	
Response to Draft Report from the San Luis Obispo Area.....	A

EXECUTIVE SUMMARY

The Commissioner has the responsibility, by statute, to enforce laws regulating the operation of vehicles and use of highways in the State of California and to provide the highest level of safety, service, and security to the people of California. Accordingly, the Office of the Commissioner directed the Office of Inspections, Audits Unit, to perform an audit of a command selected by each Division. The Coastal Division selected the San Luis Obispo Area.

The California Highway Patrol's (CHP) 2008-2009 Strategic Plan highlights the mission statement which includes five broad strategic goals designed to guide the CHP's direction. One strategic goal is to continuously look for ways to increase the efficiency and/or effectiveness of departmental operations.

The audit scope period covered the twelve months prior to the start of the audit field work. However, to provide a current evaluation of the command, primary testing was performed of business conducted during the final six months of fiscal year 2007-2008.

Based on the review of the San Luis Obispo Area command's operations, this audit revealed it has complied with most operational policies. However, some weaknesses were observed. The following is a summary of the identified weaknesses:

Cash Receipts

- The command did not maintain the CHP 251, Counter Receipts according to the CHP's Records Retention Schedule.
- The command is not replenishing its petty cash fund monthly when receipts on hand total more than \$10.

Purchasing

- The command did not maintain the authorization memorandum which names those individuals from the command who are authorized to sign the CHP 43, Purchase Requisition.

Reimbursable Service Contracts

- The command is not preparing CHP 735, Incident Response Reimbursement Statement, and corresponding CHP 415, Daily Field Record, documents properly.

Fleet Operations

- The command did not maintain the CHP 33, Driver's Equipment Check documents for its vehicle fleet.
- The command did not have the county perform flow testing of the command's fuel pumps.

Please refer to the Findings and Recommendations section for detailed information.

AUDIT REPORT

INTRODUCTION

To ensure the California Highway Patrol's (CHP) operation is efficient and/or effective and internal controls are in place and operational, the Office of the Commissioner directed the Office of Inspections, Audits Unit, to perform an audit of a command selected by each Division. Coastal Division selected San Luis Obispo Area.

The CHP's 2008-2009 Strategic Plan highlights the mission statement which includes five broad strategic goals designed to guide the CHP's direction. One strategic goal is to continuously look for ways to increase the efficiency and/or effectiveness of departmental operations. This audit will assist the CHP in meeting its goal.

OBJECTIVE AND SCOPE

The objective of the evaluation is to determine if the command has complied with operational policies and procedures that provide managers with reasonable, but not absolute, assurance departmental operations are being properly executed. The audit period was twelve months prior to the start of the audit field work. However, to provide a current evaluation of the command, primary testing was performed of business conducted during the final six months of fiscal year 2007-2008. This audit included the review of existing policies and procedures, as well as, examining and testing recorded transactions, to determine compliance with established policies, procedures, and good business practices. The audit field work was conducted from November 3 - 7, 2008.

METHODOLOGY

Each Division commander selected one command to be audited regarding their cash receipts, contracts, evidence, purchasing, reimbursable service contracts, and advanced payments for predetermined services. Additionally, the Division commander could select any of the following topics: asset forfeiture, fleet operations, personnel records, and strategic plan reporting. The Coastal Division commander selected asset forfeiture, fleet operations, and personnel records. When preparing for the audit, and due to limited auditing resources, reimbursable service contracts was reduced to an examination of the Driving Under the Influence (DUI) Cost Recovery Program and advanced payments for predetermined services was reduced to Wide Load Services. Also, the audit of evidence was limited to guns, drugs, and money. Sample selection of areas to be audited was primarily random or judgmental. Whenever possible, the use of risk assessment was used to select a sample containing the highest probability of risk to the command. Furthermore, the auditors reviewed prior audit reports and findings.

OVERVIEW

Cash Receipts: Cash receipts appear to be processed according to departmental policy; but could be improved. It was determined policies and procedures are in place to ensure collecting and safeguarding of cash receipts; separation of duties exist to ensure cash is adequately safeguarded; and cash receipts are correctly recorded and maintained. However, the San Luis Obispo Area command did not maintain its CHP 251, Counter Receipts according to the CHP's Records Retention Schedule. Additionally, based on a review of the CHP 264, Petty Cash Reimbursement Request forms, the San Luis Obispo Area command is not replenishing its petty cash fund monthly when receipts on hand total more than \$10.

Contracts: Contracts appear to be processed according to departmental policy. There were no reportable observations in the contracts cycle.

Evidence: Evidence appears to be processed according to departmental policy. There were no reportable observations in the evidence cycle.

Purchasing: Purchases appear to be processed according to departmental policy, but could be improved. The San Luis Obispo Area command did not maintain the authorization memorandum which names those individuals from the command who are authorized to sign the CHP 43, Purchase Requisition. However, the command proactively rectified this issue by designating individuals from the command authorized to sign purchase requisitions and provided the memorandum to the Audits Unit.

Reimbursable Service Contracts: The command's reimbursable services contracts (DUI Cost Recovery Program) could be improved. Based on a review, the San Luis Obispo Area command is not preparing CHP 735, Incident Response Reimbursement Statement, and corresponding CHP 415, Daily Field Record, documents properly.

Advance Payments for Predetermine Services: The command does not handle or maintain advance payments for predetermined services.

Asset Forfeiture: The command does not handle or maintain asset forfeitures.

Fleet Operations: The command's fleet operations appear adequate, but could be improved. The San Luis Obispo Area command did not maintain the CHP 33, Driver's Equipment Check documents for its vehicle fleet. Additionally, the San Luis Obispo Area command did not have the county perform flow testing of the command's fuel pumps.

Personnel Records: The command's personnel appear to be processed according to departmental policy. There were no reportable observations in the personnel cycle.

This audit revealed the command has adequate operations, nevertheless, weaknesses were discovered, which if left unchecked could have a future negative impact on the command and Department operations. These weaknesses should be addressed by management to maintain the command's compliance with appropriate law, regulations, policies, and procedures. The findings and appropriate recommendations are presented in this report.

As a result of changing conditions and the degree of compliance with policies and procedures, the efficiency and effectiveness of operations change over time. Specific limitations may hinder the efficiency and effectiveness of an otherwise adequate operation include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, fraud, and management overrides. Establishing compliant and safe operations and sound internal controls would prevent or reduce these limitations; moreover, an audit may not always detect these limitations.

FINDINGS AND RECOMMENDATIONS

CASH RECEIPTS

FINDING 1: **The command did not maintain the CHP 251, Counter Receipts according to the CHP's Records Retention Schedule.**

Condition: The San Luis Obispo Area command purged its CHP 251, Counter Receipts after a period of six months. The San Luis Obispo Area command was only able to produce CHP 251, Counter Receipts beginning with April 21, 2008.

Criteria: California Highway Patrol Records Retention Schedule dated April 20, 2006, states in part, "CHP 251, Counter Receipt (Field) shall be retained for four years."

Recommendation: The San Luis Obispo Area command should comply with the departmental records retention schedule by maintaining its CHP 251, Counter Receipts.

The San Luis Obispo Area command proactively took corrective action to ensure CHP 251s forms are retained in compliance with departmental retention schedules. Since this proactive corrective action was taken subsequent to the audit, the Audits Unit was unable to verify this corrective action.

FINDING 2: **The command is not replenishing its petty cash fund monthly when receipts on hand total more than \$10.**

Condition: The San Luis Obispo Area command replenished its petty cash fund when petty cash receipts totaled more than \$50.

Criteria: Highway Patrol Manual (HPM) 11.2, Materials Management Manual, Chapter 2, Petty Cash, paragraph 11.a. states, "Request for Reimbursement. A list of receipts and/or STD. 439s shall be prepared in triplicate on CHP 264 at least monthly if over \$10.00, quarterly if under \$10.00, and on June 30 of each fiscal year."

Recommendation: The San Luis Obispo Area command should comply with the departmental policy for petty cash replenishment.

The San Luis Obispo Area command proactively updated its Standard Operating Procedures to ensure departmental guidelines are followed for petty cash replenishments. Since this proactive corrective action was

taken subsequent to the audit, the Audits Unit was unable to verify this corrective action.

PURCHASING

FINDING 1 **The command did not maintain the authorization memorandum which names those individuals from the command who are authorized to sign the CHP 43, Purchase Requisition.**

Condition: The San Luis Obispo Area command did not prepare and maintain the memorandum showing the individuals authorized to sign and approve purchase requisitions during the audit period.

Criteria: HPM 11.2, Materials Management Manual, Chapter 7, Purchasing, paragraph 14.a.(5) states, "NOTE: All CHP Divisions and commands shall ensure that an updated memorandum is provided to PSU showing the typed name, title, and signature of those authorized to sign and approve the CHP 43 or the expenditure of Division equipment allocations."

Recommendation: The San Luis Obispo Area command should comply with the departmental policy and designate personnel authorized to sign purchase requisitions.

The San Luis Obispo Area command proactively designated command personnel authorized to sign purchase requisitions and provided this information to the Audits Unit.

REIMBURSABLE SERVICE CONTRACTS

FINDING 1: **The command is not preparing CHP 735, Incident Response Reimbursement Statement, and corresponding CHP 415, Daily Field Record, documents properly.**

Condition: Of all ten CHP 735, Incident Response Reimbursement Statement, and accompanying CHP 415, Daily Field Record, documents reviewed, the CHP 415 documents did not contain the billable hour's information. In nine of ten CHP 735 and accompanying CHP 415s, the CHP 415 did not contain the defendant name and court case information.

Criteria: HPM 11.1, Administrative Procedures Manual, Chapter 20, DUI Cost Recovery Program, paragraph 4.e. states, "Recording Total Staff Hours. Record the total number of staff hours involved in the incident response. (1) Record staff hours to the nearest ten minutes. For example: one hour, thirty minutes = 1:30. NOTE: Half-hour increments are recorded as :30 not :50. (2) Record the number of staff involved in the incident response. (a) When only one officer is involved, write his/her name and ID number under each respective category along with the appropriate hours.

(b) When more than one officer is involved, list each one by name and ID number next to the applicable activity, then record the hours for each activity. FormFlow will add all officer hours and total them in the Total Hours column. If the number of officers per activity exceeds the number of lines available, record the information under Traffic Control.”

(c) The number of staff hours charged on the CHP 735, Incident Response Reimbursement Statement, must agree with the appropriate CHP 415, Daily Field Record. Area offices must be able to verify the hours claimed on the CHP 735, Incident Response Reimbursement Statement, when offenders challenge the hours billed. If an Area office cannot substantiate the hours billed, the Department cannot recover incident costs. In order to reconcile the hours, please ensure the following information is included:

1 Offender’s name and court case number shall be included on the CHP 415, Daily Field Record.

2 When time recorded under a specific category (e.g., Accident Investigation, Partner Assist, Response Time) on the CHP 415, Daily Field Record, includes more than one activity, indicate the billable DUI time in the Notes portion on the CHP 415, Daily Field Record.”

Recommendation: The command should comply with the departmental policy for DUI cost recovery.

The San Luis Obispo Area command has proactively revised its Standard Operating Procedures regarding the CHP 735, Incident Response Reimbursement Statement process. The commander stated the time claimed will be reviewed by the shift supervisor before being approved and whenever dedicated time is used for cost recovery. Since this proactive corrective action was taken subsequent to the audit, the Audits Unit was unable to verify this corrective action.

FLEET OPERATIONS

FINDING 1: **The command did not maintain the CHP 33, Driver’s Equipment Check documents for its vehicle fleet.**

Condition: In eight of the 17 vehicles assigned to the San Luis Obispo Area command, the CHP 33, Driver’s Equipment Check documents for eight of the command’s vehicles were either incomplete or missing.

Criteria: HPM 31.1, Fleet Operations Manual, Chapter 2, Reporting Requirements, paragraph 3 states,

“a. Requirements. The CHP 33, Driver's Equipment Check (refer to Annex 2-B), shall be prepared monthly for each vehicle. A book of these forms shall be kept in each vehicle at all times. FOS provides a book

cover at the time of vehicle assignment, and replacement books are available through Supply Services Section.

b. Preparation. Prepare a CHP 33, Driver's Equipment Check, using as many sheets as necessary for an entire month.

(1) Driver Responsibility. Upon assuming control of a vehicle, the driver shall enter name, date, time out, and odometer out reading in appropriate columns. The driver shall then proceed as follows:

(a) Inspect vehicle for proper condition. Use a CHP 33B, Vehicle Damage - Location Report (refer to Annex 2-C), to report any vehicle damage or discrepancies to the supervisor, including missing, damaged, or inoperative accessory equipment.

(b) If the last equipment check sheet entry shows the vehicle condition to be "OK" and the driver finds damage or a mechanical defect, the vehicle shall not be driven without authorization from a supervisor.

(c) In the event a mileage discrepancy is noted, the driver shall notify the supervisor or person responsible for equipment maintenance as soon as reasonably possible.

(d) The commander shall be advised of any unreported mechanical defect, vehicle damage, or mileage discrepancy.

(e) When the equipment is released at the conclusion of the shift, the following items shall be recorded on the CHP 33, Driver's Equipment Check: Time in, ending odometer reading, total miles driven, and the gasoline/oil added. Mechanical defects, collision damage or other required services where vehicle safety is a factor shall be noted on the CHP 33, Driver's Equipment Check, the CHP 33B, Vehicle Damage - Location Report, and on the command's vehicle deficiencies report.

(f) If a single driver is assigned to a particular vehicle, only the driver's name, the odometer reading at the beginning date of assignment, the odometer at the end of the month, and the total miles driven need to be entered unless otherwise directed by local policy."

Recommendation: The San Luis Obispo Area command should comply with the departmental policy by maintaining its CHP 33, Driver's Equipment Check documents for its vehicles.

The San Luis Obispo Area command proactively prepared and read a briefing item to staff regarding the requirements outlined in HPM 31.1, Fleet Operations Manual and the need to fill out the CHP 33, Driver's Equipment Check form for each use of the command vehicles. Since this proactive corrective action was taken subsequent to the audit, the Audits Unit has been unable to verify this corrective action.

- FINDING 2:** **The command did not have the county perform flow testing of the command's fuel pumps.**
- Condition:** The San Luis Obispo Area command has not had the local county perform flow testing of its fuel pump and was not aware of this departmental policy requirement.
- Criteria:** HPM 31.1, Chapter 5, paragraph 5.b.(3) states, "Meter Verification. Commands shall make arrangements to ensure the accuracy of the gasoline pumped annually. Commands shall contact the County Agriculture Department to have the pumps flow-tested. Counties will conduct this test at no charge to the Department as long as no certificate is obtained. There is no requirement to have a certificate/decal attached to a state-owned gasoline pump."
- Recommendation:** The San Luis Obispo Area command should comply with the departmental policy and have its fuel pump flow tested by the local county.
- The San Luis Obispo Area command's fuel pumps were removed as part of a new tank installation project on December 12, 2008. The new tank system will be installed and county flow testing will be scheduled according to guidelines. The San Luis Obispo Area command proactively implemented an annual suspense form for the Automotive Service Mechanic II each year. Since this proactive corrective action was taken subsequent to the audit, the Audits Unit was unable to verify this corrective action.

CONCLUSION

Based on the review of the command's operation, this audit revealed the command has adequate operations. However, some weaknesses were observed. This report presents suggestions for management to improve on some of its operations. In doing so, operations would be strengthened and the command would operate in accordance to departmental policies and procedures.

ANNEX

A

M e m o r a n d u m

Date: April 17, 2009

To: Office of the Assistant Commissioner, Inspector General

From: **DEPARTMENT OF CALIFORNIA HIGHWAY PATROL**
San Luis Obispo

File No.: Command Audit

Subject: COMMENTS TO DRAFT 2008 COMMAND AUDIT REPORT

As directed, this memorandum is prepared in response to the Draft 2008 Command Audit Report completed by the Office of the Assistant Commissioner, Inspector General. The audit scope covered twelve months prior to the start of the audit field work. The following items were reviewed and determined to be deficient:

Cash Receipts

Finding #1: The command did not maintain the CHP 251, Counter Receipts, after a six month period.

Disposition: Concur. Area clerical unit had misread the manual and purged the forms prior to required retention date. Area modified the Standard Operating Procedures to ensure CHP 251 forms are retained according to departmental guidelines.

Finding #2: The Command has not replenished the petty cash funds monthly when receipts on hand total more than \$10.

Disposition: Concur: Area had been acting on direction from Headquarters' Accounting unit, which stated it was not necessary to replenish so frequently.

Comments: Area does not use enough petty cash to warrant a monthly reconciliation. Area requests this policy be reviewed to allow an Area command, with little petty cash usage, to replenish when needed or on a quarterly basis.

Safety, Service, and Security

Purchasing

Finding #1: The command did not maintain the authorization memorandum which names those individuals from the command who are authorized to sign the CHP 43, Purchase requisition.

Disposition: Concur. Memorandum was provided to the auditors during the inspection.

Comments: With the introduction of the ReDS program, the Command Approvers are preprogrammed into the system. No need for a memorandum to be on file. Area requests this policy be reviewed and deleted as obsolete.

Reimbursable Service Contracts

Finding #1: Area command was not able to reconcile the CHP 735, Cost Recovery forms, with the CHP 415, Daly Field Records.

Disposition: Concur. Area modified the SOP for officers to attach a copy of the corresponding CHP 415 to each CHP 735. Additionally, the SOP directs officers to ensure they make the appropriate entry when time is expended on a DUI related cost recovery incident (e.g. case number; name of arrestee, etc.) as required by policy. Area also prepared a briefing item and discussed this at Area training days.

Fleet Operations

Finding #1: Area command was not able to reconcile the CHP 33, Driver's Equipment Check documents for eight of the Command's vehicles.

Disposition: Concur. Area prepared a briefing item and discussed at Area training days.

Finding #2: Area command has not had the County perform flow testing for the fuel pumps.

Disposition: Concur. Area prepared a new suspense form to ensure the Automotive Service Mechanic II conducts this annually.

Command Draft Audit Report Response

Page 3

April 17, 2009

Comments: As a best practices way of doing business, Area completed a monthly local form to ensure accuracy of the pumps. This procedure has shown no discrepancy in the pump flow. Additionally, with the new card monitoring systems, any change in pump accuracy can be detected much quicker than having an annual check. Since the County Agriculture Department does not issue a certificate or sticker, the process seems redundant. We request the Department review this policy for possible modification.

All of the items found deficient were immediately corrected at the time they were discovered. Area will use this process and audit results to improve current processes. I want to commend my staff for the thoroughness in which they perform their job tasks. The auditors were in the Command for five days and discovered only six minor discrepancies, none of which would have critically impacted our goals and mission.

A handwritten signature in black ink, appearing to read 'W. E. Vail', written in a cursive style.

W. E. VAIL, Captain
Commander

cc: Coastal Division